

Neoliberalism In The Driver's Seat: Trump And Ryan's Ruling-Class Schemes



Donald Trump ran a campaign to “make America great again,” promising the creation of high-paid manufacturing jobs and the restoration of the middle class. Yet, his economic policies will most likely make things worse for average American workers and deal a further blow to the environment, says economist Michael Meeropol, an NPR commentator and author of *Surrender: How the Clinton Administration Completed the Reagan Revolution*. Michael Meeropol is the oldest

son of Julius and Ethel Rosenberg.

C.J. Polychroniou: Donald Trump's economic policies are not simply controversial; they constitute a neoliberal nightmare. His policies revolve mostly around corporate tax cuts, tax cuts for people with high incomes and investments, deregulation and selective protectionism. Assuming the Trump administration can succeed with these objectives, what, in your view, would be the most likely effects of these policies on the US economy?

Michael Meeropol: It is essential to separate Trump (the man) from the policies proposed by the Trump administration. Trump, the man, displays “bright shiny objects” that unfortunately divert us from the substance of the actual policies.... The national media and too many of the opposition are diverted by his outrageous lies, his grandiose promises, his bombast and his dangerous authoritarianism. These are the “bright shiny objects” but they have almost nothing to do with the substance of [his] proposed policies.

Your question brings focus where it should be — the neoliberal content of his administration's proposals. With the possible exception of the selective

protectionism he promised during the campaign, [his] economic policy proposals are extensions of traditional neoliberal policies that date back to Ronald Reagan. These policies were enabled by Bill Clinton (see my book *Surrender* and Bob Pollin's book *Contours of Descent*), expanded by George W. Bush and not forcefully countered by Barack Obama. The failure to include a public option in the Affordable Care Act is one glaring example.

The neoliberal content of the Trump administration's policies comes from Paul Ryan, the Club for Growth, the Heritage Foundation, the Chamber of Commerce ... this is the policy-planning apparatus of the American ruling class.

(Anyone who doubts what I just said, check out the [Who Rules America?](#) website. G. William Domhoff has been documenting who rules America since the late 1960s. [Here is a recent piece with relevance today.](#))

In a [recent Washington Post article](#), the first round of proposed budget shifting by the Trump administration is detailed — a massive transfer of discretionary budget spending to defense and away from everything else. This is more extreme than the 1981 Reagan budget proposals. The failed “repeal and replace” for the Affordable Care Act was similar to efforts proposed in the past — partial privatization of Social Security — replacing the guarantees of Medicare with vouchers (called “premium support” in one of the “Ryan budgets” proposed during the Obama Administration). “Welfare reform” signed into law by Bill Clinton turned the old AFDC [Aid to Families with Dependent Children] program into a set of fixed block grants to the states. Changing Medicaid from a guarantee to a state-administered stingy block grant as in the failed Ryan “Trumpcare” proposal would have a similar impact — reducing enrollment in one more means-tested entitlement program. All of these changes were efforts to dismantle the set of policies associated with the New Deal and Great Society.

Should this new set of neoliberal proposals be adopted, there is no way they will have a positive macroeconomic impact. Forty years of neoliberal policies since 1980 show that. But in terms of income and wealth for the top 1 percent, neoliberalism was a dramatic success. The well-known Saez-Piketty diagrams plotting shares of the top 10 percent and 1 percent of the income distribution show that reduced inequality (the top 1 percent [of people in the US] had 20 percent of income in 1929 and 8 percent in 1979) was successfully reversed in the neoliberal heyday: The [top] 1 percent's share climbed to 18 percent by 2007. In

other words, it didn't matter that the economy as a whole did worse — the “most important” people did better.

Concerning today's economy, so long as the political structures that support neoliberal policies are able to withstand the assaults of an outraged population — here I am including both the Sanders campaign and many of Trump's (duped) supporters — the policies will continue because they do keep large flows of income going to the top 1 percent and power firmly in the hands of corporate decision makers and their political enablers.

If there is a neoliberal tax cut masquerading as tax reform, if there is a giant boondoggle to construction companies masquerading as an infrastructure program, if there is wholesale deregulation of financial markets masquerading as removing stifling government regulations — in short, if the neoliberal dreams of Paul Ryan become law ... there will be *no* macroeconomic improvement, no return to the period right after World War II. But the top dogs in the economy will retain the advantages they achieved during the ascendancy [of] neoliberalism, [from] 1980-2008.

In short, no improvement for the economy and the vast majority of the people, but contentment and increasing riches for the 1%.

What Trump adds to this with his promise of protectionism — through massive deportation and bringing back (some) jobs — is a way to gain the support of enough members of the working class to keep the neoliberal political coalition in control. By the way, there are three other major elements to the erection of a strong political defense of the new round of neoliberal policies: One, the assault on public sector unions that began in Wisconsin in 2011, and that might succeed decisively if Trump and the Republicans successfully replace Scalia with a similar justice, given the cases that are pending. Two, the suppression of voting rights. And three, the unleashing of police forces to enforce “law and order” on Black people and other people of color. The last two are related because the disenfranchisement of felons in many states falls disproportionately on Blacks and Latinos caught up in the prison industrial complex — also known as (from Michelle Alexander's work) *The New Jim Crow*. These three [elements] help bring a group of native-born, mostly white workers into a self-destructive coalition with the top dogs of our society to “keep those people down.” We should never underestimate the power of racism to keep the elite laughing all the way to the

bank....

David Kotz in his book *The Rise and Fall of Neoliberal Capitalism* (Harvard University Press, 2015) actually predicted a possible “tweak” to the neoliberal model that had dominated the US economy until the financial crisis of 2008. He calls this “business-regulated capitalism.” A key element would be the total marginalization of organized labor. There would also be more public-private partnerships (the as-yet-unreleased infrastructure program would be along these lines) and increased military spending. Kotz wrote, “The dominant ideas that could hold together such a social structure of accumulation are those of nationalism and individual responsibility. Such ideas justify a stronger role for the state.” Trump himself probably has no idea what his administration is doing but those pulling strings may be groping toward some form of Kotz’s “business-regulated capitalism.” In 1920s Italy, this was called fascism. To summarize: no macroeconomic improvement, but continued prosperity for the top of the income and wealth pyramids. Political changes sufficient to keep these policies in place and beat back challenges from people who supported Bernie Sanders and (erroneously) Trump.

In pledging to reduce or eliminate trade deficits, Trump has attacked Germany by saying it uses the European Union as a vehicle for accumulating trade surpluses, and China, as a currency manipulator. Is this attack on two of the world’s major economies the prelude for upcoming trade wars and/or the state of a new world economic order?

The period of the Great Depression saw the final breakdown of the trade regime that was dominated by the British Empire (including the “informal empire” in Latin America) and the Pound Sterling. The Bretton Woods system inaugurated a US-centered world economic order with the dollar as the world currency. It lasted from 1945 till 1973. The end of the Bretton Woods system did not end that role for the dollar nor the central US role. But one could argue that the financial crisis of 2008 has called the future of that system into question. Yes, Trump policies could spark trade wars; neither China nor Germany wants that. [National Trade Council Director] Peter Navarro has Trump’s ear, though my guess is his ideas are anathema to most of the intellectuals in charge of the Fed, the IMF and the European Central Bank. Obviously, the major multinational corporations and banks want there to be an international order — predictability is important for these folks. Can they force the Germans, the Chinese and the Americans to “get

together” and “work things out”? It’s much too early to tell. In 1944 at Bretton Woods, the British were too damaged by World War II to successfully resist American policy proposals (despite the presence of Keynes himself in the British delegation). The US is nowhere near as weak as Britain was then; China and Germany [are] nowhere near as strong as was the US.

Trump’s proposed budget cuts for the Environmental Protection Agency (EPA) and his selection of Pruitt as the head have caused a major concern among environmentalists and active citizens. What does Trump’s war on the EPA mean for health and the environment?

Trump’s war on the EPA and climate science is terribly dangerous. Hopefully, his and Pruitt’s positions are so outrageous that scientists and thoughtful politicians will respond vigorously. Here is where the “ruling class” is actually split. There are many, even among the top 1 percent, who believe that climate change presents an existential threat to the continuation of human life as we know it on the planet. The rest of us need to demand action to curb carbon emissions while, in my opinion, pointing out that only a true transformation of the economic system will create the structure necessary for a carbon-neutral future. Capitalism as we know it demands economic growth and the political power currently lies with those who profit from the current carbon-centered system. Maybe a “green” version of capitalism would work — I am not opposed to fighting for structural reforms to get us there — but we must constantly remind people who is benefiting and who is dying as a result of our economic commitment to a carbon-based economy.

Trump has proposed to restore America’s middle class by bringing back manufacturing jobs. How realistic is this goal in the age of deep globalization?

The Trump promise to bring back manufacturing jobs and the promise that holds for high-wage workers is based on a false equivalence. It is not manufacturing jobs per se that pay well — it’s the success of unionized workers raising wages that leads to “good” jobs — and these could be anywhere in the economy. In the 19th and early 20th centuries, manufacturing jobs paid very poorly in the United States. Unionization created the great manufacturing-based American middle class of workers. If nursing homes, hospitals, cleaning services, hotels, day care centers, restaurants were all unionized, as well as autoworkers and steelworkers in the 1950s, these work sites, too, could be the basis for middle-class workers’

wages. Trump's allies in government, particularly governors like Scott Walker of Wisconsin, want to destroy unions, not promote them.

Trump's effort to undo the Affordable Care Act was dealt a crushing blow as the House cancelled a vote on the health care legislation. What do you expect to be the next move by the Trump administration on health care?

That's easy. They have already promised to do their best to sabotage the actual workings of the Affordable Care Act and publicize rises in premiums, deductibles and anecdotes (often false) about individuals who could not get the care they needed in a timely fashion. It is essential that people remain vigilant and publicize and counter every effort at sabotage, while, at the same time, pushing for a rational universal policy: Medicare for all.

Given the overall effects of Trump's economic policies, what do you see as the future direction of neoliberalism in the US?

Neoliberalism "dodged a bullet" when the Obama administration ignored the pleas of many of us to bring forth a "New" New Deal. Instead, they hit the reset button — bailed out the financial sector (including GM and Chrysler) and settled for an anemic "recovery" bill rather than a more robust one. (I've already noted the surrender on the public option in the Affordable Care Act). After 2010, they accepted budget sequestration and the economy limped through eight years of recovery, which mostly benefited the top 10 percent and [the] 1%.

Neoliberalism remains in the driver's seat, and it is essential that we continue to expose it and demand real change while resisting the worst proposals of the Trump administration. I do not see acceleration of growth in the macro-economy. The employment-to-population ratio — the best measure of labor market slack — has struggled to reach 60 percent just last month, well below the 2007 peak of 63 percent. If the Trump administration rattles world markets sufficiently, there will be another recession.

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